

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
INR-10 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06
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R 150002Z FEB 78
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC 6315
INFO AMCONSUL CALGARY
AMCONSUL HALIFAX
AMCONSUL MONTREAL
AMCONSUL QUEBEC
AMCONSUL TORONTO
AMCONSUL VANCOUVER
AMCONSUL WINNIPEG

UNCLAS OTTAWA 00755

DEPT. PASS CEA, TREAS, FRB

E.O. 11652:N/A
TAGS: ECON, CA
SUBJECT: CANADIAN INFLATION RATE MODERATES IN JANUARY.

1. SUMMARY. NON-SEASONALLY ADJUSTED CONSUMER PRICE INDEX ROSE BY 9 PERCENT IN 12 MONTHS TO JANUARY, COMPARED WITH DECEMBER RISE OF 9.5 PERCENT. HIGHER FOOD PRICES CONTINUED AS MAJOR INFLATIONARY INFLUENCE. END SUMMARY.

2. ACCORDING TO JANUARY 13 STATCAN RELEASE, NON-SEASONALLY ADJUSTED CONSUMER PRICE INDEX ADVANCED BY 0.4 PERCENT BETWEEN DECEMBER AND JANUARY. FOOD PRICES ROSE BY 0.8 PERCENT, DOMINATING RISE IN OVERALL CPI, WHILE INDEX OF ALL ITEMS EXCLUDING FOOD INCREASED BY ONLY 0.2 PERCENT. IN TWELVE MONTHS TO JANUARY, CPI ROSE BY 9.0 PERCENT DOWN FROM UNCLASSIFIED

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9.5 PERCENT INCREASE IN YEAR ENDING DECEMBER. OVER THIS PERIOD, FOOD PRICES ROSE BY 14.9 PERCENT; PRICES OF NON-FOOD ITEMS, BY 6.8 PERCENT. PRICES OF GOODS WERE UP BY 10.0 PERCENT AND PRICE OF SERVICES ADVANCED BY 7.4 PERCENT.

3. ON SEASONALLY ADJUSTED BASIS, CPI ROSE BY 0.3 PERCENT BETWEEN DECEMBER AND JANUARY; RISE INCLUDED 0.9 PERCENT

INCREASE IN FOOD PRICES AND 0.1 PERCENT BOOST IN NON-FOOD PRICES. IN THREE MONTHS TO JANUARY, CPI ROSE AT A SEASONALLY ADJUSTED ANNUAL RATE OF 7.7 PERCENT, COMPARED WITH 11.2 PERCENT RATE OF INCREASE IN THREE MONTHS TO DECEMBER.

4. COMMENT. SHARP RISE IN FOOD PRICES CONTINUES IN PART TO REFLECT HIGHER PRICES FOR FOOD IMPORTS, LINKED IN TURN UNCLASSIFIED

TO CANADIAN DOLLAR DEPRECIATION. THIS EFFECT SHOULD ALSO BE PRESENT IN FEBRUARY, ALBEIT TO A LESSER EXTENT. IN MARCH, HOWEVER, HIGHER ENERGY PRICES EFFECTIVE JANUARY 1 WILL BE PASSED THROUGH TO RETAIL LEVEL IN MARCH. THUS, IT IS UNLIKELY SIGNIFICANT IMPROVEMENT ON INFLATION FRONT WILL BE MADE IN FIRST QUARTER OF THIS YEAR. ENDERS

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